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August 22, 1958

Dear Dan:

In our telephone conversation of August 11, 1958, you requested that I send you further details on the difference I reported between the funds in Contract No. A-103 and the cost of services provided under the contract for the period July 1, 1956 through June 30, 1957. You will recall I mentioned that billings for the period, using the man-month rates agreed upon and specified in the definitive contract, will be approximately \$131,000 and that funds provided for this purpose are only \$110,000.

This difference has occurred principally because funds established for the period were determined on the basis of preliminary cost information, prior to the booking of all costs applicable to the period and prior to the negotiation of fixed man-month rates. As you know, our cost records are maintained on a calendar year basis, while funds are established on a fiscal year basis; therefore, adjustments in costs affecting the first half of the calendar year are frequently not recorded until the second half of the year. In addition, there is a delay in the incurrence of some costs, such as the payment  to each technician upon the satisfactory completion of twelve months overseas. Provision for all costs is built into the fixed man-month rate, so that in adjusting billings from the actual cost basis provided in the letter contract to the fixed man-month basis established by the definitive contract, considerable difference occurred for the initial period of July 1, 1956 through June 30, 1958. Now that we are operating on fixed man-month rates and can use these rates in estimating funds required, there should be fewer uncertainties to consider and our ability at estimating should become better.

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It appears that funds for the period July 1, 1957 through June 30, 1958 will exceed final billings by approximately \$5,000. For the period we are just beginning, July 1, 1958 through June 30, 1959, it appears that the man-months of service to be provided will differ some from the estimates in my letter of May 7, 1958 (CMCC Doc.No. 151x5.1091), but the funding will be adequate. Should funding requirements change during the period, we will advise you as soon as they are known.

Although final billings have not been submitted for the period July 1, 1957 through June 30, 1958, it appears that you can plan on recouping approximately \$5,000 from the funds allocated. For the earlier period, July 1, 1956 through June 30, 1957, the contract should be amended to bring the funds up to approximately \$131,000. (\$130,432.53 are the total billings to date.)

Sincerely,

A handwritten signature in cursive script, appearing to read "Sidel".

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